

**NATIONAL SCIENCE FOUNDATION**  
**POLICY STATEMENT on COST SHARING**

**DEFINITION**

Cost sharing is defined in OMB Circular A-110.<sup>1</sup> For NSF purposes, and consistent with A-110, it also includes and is synonymous with the term "matching." For NSF, cost sharing should be used with reference only to quantifiable and auditable contributions from non-NSF (and non-Federal) sources to NSF-supported activities. In the case of in-kind contributions, a quantifiable and auditable value must be established.

NSF has a variety of informal ways in which it partners and leverages resources from other sources. While necessary and important in many programs, these do not constitute "cost sharing" as NSF defines the term.

**POLICY**

In accordance with Congressional requirements, NSF requires that each grantee share in the cost of NSF research projects resulting from unsolicited proposals. These requirements may be met by the recipient through cost sharing a minimum of one percent on the project or by cost sharing a minimum of one percent on the aggregate costs of all NSF-supported projects subject to the statutory requirements. The Grant Proposal Guide (GPG)(Sec. II.D.7.I) and the Grant Policy Manual (Sec. 330) provide additional information as to these requirements.

In addition to the statutory requirements, NSF can require cost sharing when we believe there is tangible benefit to the award recipient(s) (normally beyond the immediate term or scope of the NSF-supported activity). Benefit is defined in terms of capacity building, potential dollar revenues, time frames, or third party users. NSF-funded activities that are characterized by such benefits are awards for infrastructure-building purposes (instrumentation/equipment/centers/facilities) or for awards where there is clear potential to make profit or generate income (e.g. curriculum development).

**PRINCIPLES****NSF-Required (Non-Statutory) Cost Sharing**

- NSF cost sharing requirements beyond the statutory requirement will be clearly stated in the program announcement, solicitation or other mechanism which generates proposals to the program. NSF-required cost sharing is considered an eligibility rather than review criterion.

---

<sup>1</sup> OMB Circular A-110 (May, 1996) sets forth Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations. It defines cost sharing (Sec. .23) as "all contributions, including cash and third party in-kind" which meet seven criteria: verifiable, not included as contributions for any other federally-assisted project or program, necessary and reasonable for accomplishment of objectives, allowable, not paid by the Federal Government under another award (except where authorized by statute), provided for in the approved budget when required by the Federal awarding agency, and conform to other Circular provisions. The Circular goes on to prescribe parameters for establishing the value of recipient contributions of services and property, and buildings or land.

Language will be specific so that eligible institutions will understand the parameters within which cost sharing is expected.

- Requirements for cost sharing may take into account the type of institution, institution size, level of other research support, population served, etc.
- Any negotiation with proposers as to the level or amount of NSF required cost sharing will occur either prior to the review process to establish the project's eligibility for consideration or after merit review has been completed to adjust cost sharing to the agreed-upon amount of the award. These negotiations will occur only within parameters stated in the covering program announcement or solicitation and in accordance with GPG "bottom line" guidance.

#### Unsolicited Proposals

- For unsolicited research and education projects, only statutory cost sharing will be required. This includes all proposals submitted solely in response to the GPG. (Note: some programs have special "flyers," for equipment/instrumentation proposals for example, which reference GPG requirements but have special provisions on cost sharing. For these purposes, such proposals are not submitted "solely" in response to the GPG.)

#### Budget Negotiations

- In GPG proposals and all others not covered by special cost sharing requirements, NSF program officers must follow the current GPG guidance (III.C.) which states that they may discuss with principal investigators the "bottom line" award amount, but may not [re]negotiate or impose cost sharing or other institutional commitments. "Bottom line" funding amounts should be commensurate with the effort supported.
- In "bottom line" budget determinations, only those resources specifically included either as direct or facilities/administrative costs in the budget or formally proposed as cost sharing are assumed to be available for the project. They must be adequate to support the project.
- In budget negotiations, any reduction of 10% or more from the amount proposed should be accompanied by a corresponding reduction in the scope of the project, unless the program officer, principal investigator, and institution clearly agree that the project as proposed can be carried out at a lesser level of support from NSF with no expectation of any uncompensated institutional contribution beyond that formally reflected as cost sharing.